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**From:**

**Sent:** Monday, June 28, 2010 4:22 PM

**To:**

**Cc:**

**Subject:** RE: FTs are a subsidy. Do we allow a deduction?

Hi

Section 901(i) provides that a tax used to provide a subsidy is not treated as a tax for purposes of title 26. If the payments are not a tax, they are not deductible under section 164 and deduction is not disallowed under section 275. Rather, the taxpayer would have to make an independent justification for deducting the tax payments under another Code provision. Please feel free to give me a call if you'd like to discuss.

Thanks,